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FOREIGN SERVICE DESPATCH

FROM : American Embassy, Taipei.

TO : THE DEPARTMENT OF STATE, Washington.

REF :

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SUBJECT: Political Report for July and August 1952. Direction to DC/R

Summary

The Legislative Yuan ratified the Sino-Japanese Peace Treaty in early August following consideration at a special session during which Premier CH'EN Ch'eng, Foreign Minister George YEH, and other members of the Ministry of Foreign Affairs presented the Chinese Government's interpretation of the provisions. During an interpellation, Dr. Yeh, when insisting that the treaty provided for the acceptance of the National Government as the only legal government of China, stated that should Japan recognize the Communist regime on the mainland the Chinese Government would immediately sever relations with Japan. General CHANG Ch'un, who left for Tokyo on August 2 for a two month visit as personal representative of President CHIANG Kai-shek, prior to his departure published a long article discussing the relationships between Japan, China and the United States in the Pacific. The principal aim of the article seemed to be to convince the Japanese people of the advantage, and indeed necessity, for them to cooperate with the National Government.

The withdrawal of its representatives from the International Red Cross Conference at Toronto showed a stiffening attitude on the part of the National Government against participating in any international conference to which the Chinese Communist regime was invited or where this Government was not recognized as the only legal government of China. This attitude reflected the determined opposition of the National Government to any suggestion which might look to the recognition of "two Chinas" as a possible political expedient in the Pacific. "Foreign friends" were reminded that the return to the mainland remained the key to policies and morale of the Chinese Government on Formosa. Chinese also insisted that they did not want a third world war. The two things were reconciled in President Chiang's belief that a counterattack using Chinese troops with only American logistical and air support, would not lead to a widening of the conflict, but, on the contrary, was the only way to end the Korean war.

The Ministry of National Defense announced the creation of the Taipei Garrison Command on July 1. MAAG approved the action

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as increasing the military security of the seat of government on Formosa. By combining the new command with the Peace Preservation Headquarters, however, this has placed considerable power in the hands of General P'ENG Meng-chi. General P'eng in the past has not been notable in his regard for the protection of the rights and freedom of individual citizens.

Premier Ch'en Ch'eng's health, which was very poor during most of the period under discussion, after a rest appears to have improved enough to allow him again to take an active part in the government and to dispel rumors of his impending resignation or replacement. The final phase of the land reform program -- land distribution -- at the discussion of which by the Executive Yuan Premier Ch'en will preside, was passed by the Provincial Assembly. President Chiang has announced his determination that the measure should be carried out at the beginning of next year. Land reform has been accepted in principle by all sections of the society. Opposition still remains, however, to the method of compensation proposed and the amount of public arable land remaining in the hands of the public corporations.

Sino-Japanese Peace Treaty

Following the passage of the Sino-Japanese bilateral Peace Treaty by the Japanese Diet in early July, President Chiang Kai-shek called upon the Legislative Yuan to hold a special session to consider the treaty. On July 14, the day preceding the formal opening of the special session, the Legislators who were members of the Kuomintang (representing 90% of the legislative body) met at an informal caucus and decided to support the treaty.

The formal opening of the special session was addressed by Premier Ch'en Ch'eng. Premier Ch'en reminded the legislators that the treaty was based upon a spirit of reconciliation and should not be judged in terms of territory or reparations but in the improvement of relations between the two countries. In the face of the threat of Communist aggression, the Premier warned that it was urgent for Free China and Japan to restore friendly relations and to cooperate together. He stated that the peace negotiations were conducted with Japan upon the following conditions:

1. The Chinese Government insisted upon a position of equality with the other Allies who had been at war with Japan;
2. The bilateral treaty must be essentially the same as the treaty concluded at San Francisco.
3. The Chinese Government insisted that in concluding a treaty its sovereign rights over the whole of China be recognized.

According to the Premier, the contents of the treaty, which he asked the Legislative Yuan to approve, were in accordance with these conditions.

After Premier Ch'en's speech, Foreign Minister George Yeh explained the interpretation placed upon each article of the treaty by the Ministry of Foreign Affairs, and submitted to a series of interpellations upon the contents. The principal points brought out by Dr. Yeh concerned the Chinese Government's interpretation with regard to the applicability of the treaty and the status of Formosa:

1. Applicability of the Treaty. Dr. Yeh stated that the treaty in no way jeopardized the sovereignty of the Chinese Government over all the territories of China. Only those countries which had recognized the Chinese Communist regime, he stated, could consider the treaty limited. Dr. Yeh added that should Japan recognize the Communist regime, the Chinese Government would break off relations with Japan. "We demand that the Japanese Government recognize our Government as the only legitimate Government of China. Her recognition of the Communist regime would pose a very grave threat to the collective security of the Pacific."
2. The status of Formosa and the Pescadores. Dr. Yeh stated that Formosa and the Pescadores had been formerly Chinese territories and, as Japan had renounced claim to them, only China had a right to take them over. Unfortunately, the legal question of ownership had become an international problem which Japan and China were not in a position to solve themselves. Dr. Yeh admitted that the treaty was not a perfect one, but he said he believed it was the best obtainable under the existing international circumstances.

The period of interpellation and general debate closed on July 21, when the treaty was sent to the Foreign Affairs Committee for consideration in secret meetings. Eventual passage was a foregone conclusion, although one member of the Legislative Yuan stated: "If we ratify the Sino-Japanese Peace Treaty in its present form, we would be doing so with heavy heart." Committee objections came to focus upon the lack of a clear decision relating to the disposition of Japanese property upon Formosa and the Pescadores (Article III). Upon the recommendation of the committee, the Legislative Yuan passed the treaty by a sizable majority, with the request that the Executive Yuan consult when negotiating with the Japanese Government for the settlement of Japanese properties upon Formosa and the Pescadores under Article III of the treaty. On August 5, with the exchange of instruments of ratification by representatives of the two governments, peaceful relations were again restored between China and Japan.

1. Embassy Despatch 31, July 23, 1952; "Chinese Government Official Interpretation of the Bilateral Peace Treaty with Japan."

The spirit in which the treaty was accepted by the Legislative Yuan is well expressed in the following short editorial:

"The views of the Legislators in the recent debate at special session of the Legislative Yuan on the Sino-Japanese Peace Treaty may be summarized as follows:

1. The peace treaty is too liberal and the Chinese terms are too mild. These may possibly result in misfortunes in the future; and
2. While the peace treaty is generally found to be unsatisfactory in many respects, it has been deemed advisable to ratify it with heavy hearts.

"The Legislators would have been branded as indifferent had they passed this epoch-making treaty without a warm debate, and they would have been considered without vigilance had they overwhelmingly approved such an incomplete and imperfect treaty with applause. Rejection of a treaty which would establish the preliminary foundation for a united front against the Communists in the Far East, however, could be considered only by one ignorant of the present world condition.

"As a matter of fact, the whole Far East lives under the Communist threat, and both China and Japan must face a life-and-death struggle against the reds. The merits of the peace treaty can only be measured in terms of the mission in the anti-Communist cause. The treaty serves to terminate the state of war and restore friendly relations between the two nations. Should the Japanese people's good will be obtained in exchange for our magnanimity, then generosity must be our most appropriate policy. And if our concessions could induce the Japanese to accept cooperation, our concessions would then be the most appropriate policy. The treaty provisions are not, therefore, of great weight at the present moment, but full agreement in the two governments' policies is the most important thing of all."

The Ambassador to Japan

The question whether Dr. Hollington TONG or General Chang Ch'un would be appointed Ambassador to Japan, a post which neither candidate particularly desired, was settled in August in favor of Dr. Tong. Probably the deciding factor in the selection of Dr. Tong was the reluctance of President Chiang to have General Chang, upon whom he relies heavily for advice, absent for a long period and,

2. Sin Wen Tien-Ti Weekly, (Hong Kong), July 29, 1952. Translated by F.J.C. LLO

especially, at the time of the convening of the Kuomintang National Conference, scheduled for October. Dr. Tong, Chairman of the Board of Directors of the Kuomintang Central Daily News and General Manager of the China Broadcasting Company, is a newspaperman by background. He is a close friend of both the President, whose biography he has just finished writing, and Madame CHIANG. Educated in the United States, Dr. Tong speaks excellent English but no Japanese. He has a very charming personality, and is well liked, especially in foreign circles in Taipei. There has been objection in some quarters to his appointment on the basis of his inability to speak Japanese and general American orientation. The estimate made by the Naval Attache would appear to be essentially correct: that "'Holly' Tong's thankless appointment in Tokyo is likely to last as long as U.S. prestige and influence in Japan, no longer. And in the meantime, the real spokesman in Japan for Chiang Kai-shek and for the National Government of the Republic of China will be General Chang Ch'un." Dr. Tong is reported to be already unhappy over the staffing of the Embassy in Tokyo, which was apparently done by the Ministry of Foreign Affairs without his consent.

Visit of General Chang Ch'un to Japan.

General Chang Ch'un, close friend and advisor of President Chiang and one of the central figures in the negotiations of the Sino-Japanese Peace Treaty, left Taipei for Japan on August 2 for a two month visit as the personal representative of the Generalissimo. Prior to his departure, General Chang published in the local newspapers a 25,000 word article entitled Sino-Japanese Relations and America. The article was important as a statement of Chinese policy with regard to the future development of a Sino-Japanese relations both because of General Chang's influence with President Chiang and the timing of the publication. The article appears to be principally an effort to convince the Japanese people of the necessity for them to cooperate with the Chinese National Government. Three arguments, in general, were developed: (1) that, as shown by recent history, cooperation was essential between China and Japan for their mutual survival and prosperity and to bring security to the Pacific; (2) that by cooperating with the National Government, Japan could develop her Southeast Asian markets through the overseas Chinese, the great majority of whom support the National Government, while to trade with the Communist mainland would invite national disaster; and (3) that cooperation would implement the defense measures of the United States in the Pacific, upon which both countries must depend in their present weakened state and in the face of the Soviet aggressive drive.³

3. Embassy Despatch 60, August 11, 1952, "Article by ex-Premier CHANG Ch'un on Sino-Japanese Relations"

In Japan, General Chang has evidently continued to emphasize the importance to Japan of his Government's cooperation in the development of trade with Southeast Asia, and the dangers involved for Japan in wishful thinking upon the subject of trade with the Communist mainland. He told the Japanese that Southeast Asian trade would be one of the principal subjects discussed at the forthcoming conference of overseas Chinese to be held in October in Taipei. In the final analysis, he has warned, however, that prosperity must give way before the demands of security, which could only be achieved through Sino-Japanese cooperation and, under existing circumstances, assistance from the United States. He indicated that Sino-Japanese cooperation would moreover increase the voice of Asian nations in Pacific affairs, which he favored.

The movements of General Chang during his stay in Japan have been extensively covered in the local press. His prolonged stay, which he has extended in order to observe the Japanese elections, not only appears as a source of some embarrassment to the newly appointed Ambassador, Dr. Tong, but has given rise to numerous rumors that his visit has some purpose more specific than merely "advancing, through personal discussions with Japanese leaders, the cause of Sino-Japanese cooperation in economic, cultural, and, possibly, military fields". The Ministry of Foreign Affairs specifically denied a report from "well-informed" sources in Tokyo that General Chang was seeking to conclude a military alliance between the two countries. The Director of the East Asian Department also discounted reports that Chang was trying to get Japanese support in the matter of a Pacific alliance in return for Chinese "influence" with the Philippines to ratify the San Francisco Treaty. Whether or not General Chang's mission included the conclusion of some specific agreement with the Japanese, which the extension of his visit until after the forthcoming elections might seem to indicate, the views that he brings back with him will undoubtedly form the basis for the decisions on future Chinese policy with regard to Japan. There seems little question that there is, within the Chinese Government, an important group who, unwilling to trust entirely to the unchangeableness of American support, seek a closer understanding with Japan to use as both a lever in dealing with the United States and a refuge in case of a shift in American policy. General Chang's observations will undoubtedly have an important bearing upon how far a policy of cooperation with Japan may be pushed.⁴

Sino-Japanese Cultural and Economic Association.

The Sino-Japanese Cultural and Economic Association was founded in Taipei on July 29 for the purpose of studying and exchanging materials upon cultural, educational and economic conditions in

4. Embassy Despatch 114, September 9, 1952, "Conflicting Views of CHANG Ch'un and WANG Shih-chieh on Sino-Japanese Relations".

China and Japan. A 31-man Board of Directors was named including ex-Premiers General Chang Ch'un and HO Ying-chin, the two most prominent members of the group popularly associated with working for closer cooperation with Japan. There were also ten Formosans on the Board. The comment has been made that the Association was formed as much to hold in check as to promote a revival of Japanese influence on Formosa in the cultural and economic fields. The stiff position taken by the Chinese with regard to a shipping agreement with the Japanese and the continued emphasis upon the replacement of the Japanese language with Chinese in the rural areas show clearly that, at the present time at least, it is not the policy of the Chinese Government to allow Formosa to slip back to the former colonial relationship with Japan, either economically or culturally. Exactly what part the Association will play in developing future ties with Japan, it is yet too early to say. With General Chang Ch'un, who is chairman of the Board of Directors, still in Japan, the activities of the Association have been so far limited to entertaining visiting Japanese delegations.⁵

The Return to the Mainland.

There has always existed a potential source of conflict between the determination on the part of the Chinese leaders to give first priority to a return to the mainland and the American policy of neutralization and economic stabilization of Formosa. The basic difference in emphasis has in recent months been most apparent in connection with military planning, as for instance in the opposition of MAAG on budgetary grounds to the elaborate system of reserve training proposed by the Ministry of National Defense.

During August two editorials, "Anti-Communism, Mainland Recovery Key to Free China" and "Wanted: Reappraisal of US China Policy", appeared in the English-language China News. The theme of the editorials, directed towards "our foreign friends", was:

"The fundamental principle underlying Free China's foreign and domestic policies is anti-Communism and the return to the mainland...Our American friends, however, are found less enthusiastic towards this final national policy of ours."⁶

"Jimmy" WEI, editor of the China News and a "man with good connections" in his own right, explained to an officer of the Embassy that the views in the editorials represented the consensus of opinion of a large number of people interviewed by him and his assistant. He added that uncertainty among the Chinese on Formosa and elsewhere as to the future of American policy in the Far East

5. Embassy Despatch 89, August 26, 1952, "Sino-Japanese Cultural and Economic Association".

6. Embassy Despatch 67, August 13, 1952, "Chinese Policy and the Return to the Mainland".

hindered Chinese progress because of fear of a change in U.S. policy. What was particularly feared, he said, was that a large-scale peace offensive by the Russians, with the Chinese participating convincingly, would allay the suspicions of the Western nations and make suggestions that Communist China enter the United Nations and even the solution of the "Formosan question" by international conference acceptable in the United States.

Chinese policy appears to be directed towards convincing the Americans that the return to the mainland is the key with which the policies and the morale of the National Government must be interpreted; that the longer the recovery of the mainland is delayed and the more time the Communist regime is given to strengthen its hold, the more difficult the task will be; and finally, that the Chinese Government does not advocate the outbreak of a third world war. The first and third points were reconciled in the belief advanced by President Chiang to prominent American civilian and military officials visiting Formosa, as well as other responsible Chinese officials, that an attack on the mainland by Chinese National troops with only American logistical and air support would remain a localized action and not expand into a global conflict. Instead, the theory is advanced that this would be the very best way to end the Korean conflict and thereby avoid a third world war. It seems certain that as the economic situation on Formosa continues to improve and the strength of the Chinese National troops grows, the pressure for action against the mainland will become increasingly heavy.

International Red Cross Conference.

At the International Red Cross Conference which opened in Toronto at the end of July, the Chinese Government held firm to the stand, taken also in connection with participation in the Olympic Games, that it would not take part in any international conference or organization which included the Chinese Communists. Both the Communist regime and the National Government were invited by the International Red Cross to participate in the conference. The National Government representatives, however, withdrew when the Communists were also seated. The Executive Yuan decided, to uphold the principle that the Government would not participate in any international gathering in which it was not recognized as the sole legal representative of the Chinese nation. The determined stand, which was taken in spite of a strong plea by the United States that the Chinese representative remain, was perhaps somewhat influenced by a desire to show clearly where the Government stood with regard to any idea as expressed in some British and even Japanese quarters, of recognizing "two Chinas" as a possible expedient in the Far East.

7. Embassy Despatch 75, August 19, 1952, "Comments by 'Jimmy' WEI on Conditions in Formosa"

Taipei Garrison Command.

On July 1, the Ministry of National Defense ordered the establishment of the Taipei Garrison Command covering the city of Taipei and outlying districts. Under the command were placed the 32nd Division (to be billeted on the outskirts of the city), one tank battalion, military police, civil police, and Peace Preservation troops within the area of its jurisdiction. General P'eng Meng-chi was designated as Commander. General P'eng continues to hold his position as Deputy Commander of the Peace Preservation Corps, and the functions of the new Command are to be undertaken by the Peace Preservation Corps Headquarters without instituting an additional organization.

From a military standpoint, General William CHASE, Commanding General of MAAG on Formosa, gave the establishment of the new command his approval. He felt that the new command made well-trained troops available for the protection of the seat of government in case of air-borne attack and, in removing the 32nd Division from the direct control of the Ministry of National Defense, was beneficial from the standpoint of internal security. By combining the command with control of the Peace Preservation Corps, the move has, however, resulted in the concentration of considerable power in the hands of General P'eng. General P'eng, long regarded as a supporter of Premier Ch'en Ch'eng, has recently been reported to have made up his differences with General CHIANG Ching-kuo. He is believed to have the confidence of the Generalissimo, who regards highly his work with the Peace Preservation Corps in suppressing the Communists on Formosa. By the Formosans, General P'eng is chiefly remembered for the brutality with which, as Garrison Commander in the Kaohsiung area, he suppressed the 1947 revolt. As Deputy Commander of the Peace Preservation Corps, his conduct has several times drawn protests from Governor K. C. WU, as nominal head of that body, for violations of civil liberties of the people and, especially, in connection with the arrest and trial of civilians by military police.⁸

Health of Premier Ch'en Ch'eng.

The health of Premier Ch'en Ch'eng, who suffers from a stomach ailment, has increasingly worsened in the past months. A short vacation at his home on Tsao Shan earlier in the year did not stop the steady stream of visitors to the Premier and gave him little rest. President Chiang finally ordered Premier Ch'en in August to go to Wulai, a resort at some distance from Taipei, to rest completely for two months (i.e., until the time of the meeting of the Seventh Kuomintang Congress in early October). The order gave

8. Embassy Despatch 11, July 11, 1952, "Political Implications of the Establishment of the Taipei Garrison Command"; Embassy Despatch 36, July 26, 1952, "Political Freedom on Formosa -- Governor WU's Views".

rise again to the persistent rumors that the Premier would retire because of his bad health and be replaced by General Chang Ch'un or possibly General Ho Ying-chin, or that he would resign after the meeting of the Congress. The rumors also implied that Premier Ch'en's desire to retire was influenced by his disturbance over the increasing strength of General Chiang Ching-kuo, particularly among the younger officers and in the youth movement. Recent reports that Premier Ch'en's health was considerably improved and that he intended to attend the opening of the Tienlun Power Plant in September and following that preside at the Executive Yuan discussions of the Land Reform Bill, however, have quieted for the time being the rumors of his withdrawal.

Land Reform Program.

The Provincial Assembly, which normally meets for two weeks twice a year, reconvened on July 19 and extended the summer session to nearly six weeks in order to complete action on the limitation on land-holdings, the third and final phase of the land reform program. Both Government and Kuomintang spokesmen had attacked the Assembly for delay in the passage of the program, criticizing that body as favoring the landlords' interests above those of the people and reminding that, (although applying only to Formosa) as a national measure, the Assembly was allowed to consider it only as a courtesy and not as a right. The Assembly, in delaying passage, showed its resentment over having no real say but only being asked to approve, and the fact that, after passage by the Assembly, the measure would be referred to the Executive Yuan for final formulation before being presented to the Legislative Yuan. Although approving the program in principle, the Assembly, most of them landlords themselves, had basic objections over the method of compensation proposed.

A meeting of the Central Reform Committee of the Kuomintang with President Chiang himself presiding was held on July 24. At this meeting it was decided to enforce the program for the limitation of land-holdings beginning on January 1, 1953. In his capacity as Director-General of the Kuomintang, the Generalissimo ordered that all preparations for carrying out the program be completed before the end of 1952. On the following day, Governor Wu guaranteed that the reform would be carried out on schedule. The Assembly was left with no alternative but to approve the program substantially as presented, which it did in early August. Certain changes were suggested, and the Executive Yuan was requested to submit any revisions made to the Assembly for approval before enactment.

The land limitation bill has been passed to the Executive Yuan for further consideration, and will be discussed at a meeting of that body presided over by Premier Ch'en Ch'eng in September. Land reform, including limitation of land holdings, is no longer a political issue on Formosa, having in principle been accepted

both National and Provincial Governments and, in general, by all elements within the society. Objections remaining to the carrying out of the program, which were pointed out to President Chiang by Dr. Wolfe LADEJINSKY during his visit here to observe the program, have centered in the method of compensation proposed and the quality of land offered. The landlords regard the stock in government enterprises, which it is proposed to make a large part of the compensation, as virtually worthless and a program using this method of compensation as amounting to confiscation. With regard to the sale of public land, there remains the question of the large holdings of arable land by the public corporations, the disposal of which Dr. Ladejinsky said in effect would serve as a test of the good faith of the Government in carrying out the land reform program.⁹

Howard P. Jones

9. Embassy Despatch 56, August 8, 1952, and 79, August 20, 1952, both entitled "Land Reform in Formosa".